

## Message Text

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ACTION SS-14

INFO OCT-01 ISO-00 EB-03 ARA-06 SP-02 NSC-05 NSCE-00 FRB-01

TRSE-00 SSO-00 ONY-00 /032 W

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O 152355Z NOV 76 ZFF-4

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 8629

C O N F I D E N T I A L MEXICO 14518

LIMDIS

E. O. 11652: GDS

TAGS: EFIN

SUBJECT: MEXICAN ECONOMIC SITREP 3

FOR DISTRIBUTION FOR S, D, E, C, P, EB, ARA, S/P, TREASURY,  
NSC, FRB ONLY

REF: (A) STATE 277224 (B) MEXICO 14461 (C) MEXICO 14499

1. EXCHANGE RATES. TRADING RANGE OF PESO ON 15 NOV.  
WAS 24.10 PESOS PER DOLLAR TO BUY AND 24.32 TO SELL,  
DOWN ABOUT 20 CENTAVOS FROM FRIDAY. BANCO DE MEXICO  
CONTINUES TO SLOWLY RAISE VALUE OF PESO.

2. STATEMENTS OF INTEREST GROUPS. THE PRESIDENT OF  
THE NATIONAL CHAMBER OF THE FOOTWEAR INDUSTRY HAS  
STATED THAT INDUSTRY IS FACING BANKRUPTCY PROBLEMS  
WHICH COULD AFFECT 200,000 WORKERS. ITS PROBLEMS  
SEEM SIMILAR TO THOSE OF THE TEXTILE INDUSTRY(SEE REFTEL  
(B) PARA. 5).

3. GOVERNMENT FINANCE. THE SECRETARIA OF INDUSTRY  
AND COMMERCE RELEASED TRADE DATA FOR 1976 THROUGH  
AUGUST. FOR THE FIRST EIGHT MONTHS OF 1976 MERCHANDIZE  
EXPORTS WERE 26,201.9 MILLION PESOS AND IMPORTS  
52,905.7 MILLION PESOS; GIVING A MERCHANDIZE DEFICIT  
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OF 26,703.8. COMPARABLE FIGURES FOR 1975, 23,096.3,

52,227.5 AND 29,131.2. THE PRESIDENT OF THE CONFED-  
ERATION OF CUSTOMS AGENTS ANNOUNCED THAT SMUGGLING HAD  
FALLEN OFF 95 PERCENT SINCE THE DEVALUATIONS. ONE WONDERS  
HOW HE KNOWS, BUT BEFORE DEVALUATION SMUGGLING WAS  
OBVIOUSLY WIDESPREAD. THIS TENDS TO CONFIRM THE EMBASSY'S OPINION  
THAT EXCHANGE CONTROLS OR DUAL EXCHANGE RATE SYSTEM WILL BE HARD TO  
CARRY OUT IN MEXICO. MONEY IS EASIER TO CONCEAL THAN GOODS.

4. RUMORS. RUMOR WAS WIDESPREAD THROUGHOUT MEXICO  
CITY FRIDAY, INCLUDING THE FOREIGN MINISTRY, THAT PESO  
WOULD BE DEVALUED AGAIN OVER WEEKEND TO ABOUT 30 TO  
THE DOLLAR. THIS IS ANOTHER EXAMPLE OF THE ALMOST  
COMPLETE LACK OF CONFIDENCE IN THE POLICIES OF THIS  
GOVERNMENT. THE GOVERNMENT OFFICIALS SENSING THIS  
ARE SAYING NOTHING AND KEEPING A VERY LOW PROFILE ON  
ALL ECONOMIC STATEMENTS AS WELL SINCE THE SECOND DEVALUATION.

5. BUSINESS INFORMATION. SEE PARA 2, ABOVE.

6. WAGES AND PRICES. PRICES OF GASOLINE, OIL, AND  
LIQUID GAS, WERE RAISED EFFECTIVE 15 NOVEMBER (SEE  
REFTEL C). PRICES OF ELECTRICITY WERE RAISED TOO BUT  
THE INCREASES VARY ACCORDING TO USE AND AREA AND ALSO  
ARE PROGRESSIVE IN SENSE THAT LARGE USERS WILL PAY  
MORE PER UNIT. HENCE NOT POSSIBLE TO ESTIMATE THE  
INCREASE CONCISELY. HOWEVER IT SHOULD BE NOTED THAT  
MEXICAN PUBLIC SERVICES TENDED TO BE UNDERPRICED  
REQUIRING GOVERNMENT SUBSIDY. THE REASONS GIVEN FOR  
THE INCREASES WERE THE SAME IN BOTH INDUSTRIES: THE NEED  
FOR A GREATER RETURN TO COVER INVESTMENT REQUIRED  
TO SATISFY EXPANDED FUTURE DEMAND. AUTOMOBILE PRICES  
WERE RAISED EFFECTIVE 15 NOVEMBER AS INDICATED REFTEL  
(B). THE BASIC VOLKSWAGEN WENT FROM 66,000 PESOS  
TO 84,000 PESOS. THE FORD LTD FROM 140,000 TO 240,000  
AND THE ROYAL MONACO FROM 120,000 TO 220,000...  
CALDERHEAD

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